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FCC Mall Room

August 27, 2010

Hon Mignon Clyburn Commissioner Federal Communications Commission 445 12th Street SW Washington, DC 20554

Re.

Federal-State Joint Board on Universal Service, High Cost Universal Service Support (CC Docket No. 96-45 and WC Docket No. 05-337)

Dear Commissioner Clyburn:

I write to request your assistance in supporting the Telecommunications Regulatory Board of Puerto Rico's ("the Board") effort to ensure that the residents of Puerto Rico have access to reasonably comparable telecommunications and information services to those available in urban areas. Without your assistance, many residents of Puerto Rico will never receive reasonably comparable services and the digital divide that already exists between Puerto Rico and the continental United States will widen.

Recent data from the Federal Communications Commission ("Commission") shows that **none** of the residents of Puerto Rico have access to "broadband," as defined by the Commission. That same report found that, out of approximately 24 million people nationwide who lack access to broadband, over 16% (or four million) live in Puerto Rico. The Commission's refusal to adopt a separate funding mechanism for Puerto Rico that would focus on infrastructure supporting broadband deployment is not well founded. We request your assistance in remedying this urgent problem.

Background

1. The High Cost Fund

The Communications Act of 1934 contemplated universal service with its statement that there should be "rapid, efficient, Nationwide and world-wide wire and radio communication service with adequate facilities at reasonable charges" to "all the people of the United States." In the first major overhaul of the Communications Act, the Telecommunications Act of 1996 established several

47 U.S.C. § 151.



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priorities of universal service, including that consumers in low income, rural, insular, and high cost areas receive telecommunications and information services at rates that are reasonably comparable to those charged in urban areas.² Congress recognized that insular areas, such as Puerto Rico, deserve the same telecommunications and information services as those enjoyed by residents of urban areas.

In response, the Commission established four programs to fulfill these goals, including the High-Cost fund.³ The High-Cost fund "is designed to ensure that consumers in rural, insular, and high-cost areas have access to telecommunications services at rates that are affordable and reasonably comparable to those in urban areas. The program fulfills this universal service goal by allowing eligible carriers who serve these areas to recover some of their operating costs from the federal Universal Service Fund." Essentially, the High-Cost fund supports telephone and information service in areas where, absent the subsidy, service would be dramatically more expensive than the national average.

II. The Board's Long-Standing Support and Advocacy for a High-Cost Fund for Puerto Rico

In 1996, recognizing the fundamental changes in telecommunications regulation occurring in the United States, the Puerto Rico General Assembly enacted the Puerto Rico Telecommunications Act, 27 L.P.R.A. § 265 et seq. ("Law 213") to establish the Board and charge it with protecting the residents of Puerto Rico and ensuring a pro-competitive telecommunications market. Law 213 makes it the public policy to:

- establish specific, predictable, and sufficient support mechanisms to preserve and develop universal service.
- promote the investment of capital in the development of telecommunications infrastructure.
- ensure the availability of the broadest range of competitive possibilities in the offering of telecommunications services and facilities.
- promote competition and use the market forces as key factors in determining the prices, terms, availability and conditions of the service.

² 47 U.S.C. § 254(b)(3) (emphasis added).

³ *Id*.

⁴ http://www.fcc.gov/wcb/tapd/universal_service/highcost.html.

- give access to telecommunications services that are reasonably comparable to those provided in urban areas to consumers throughout the island, including low-income persons and those who reside in rural areas or in areas where access to such services is costly.
- guarantee the enjoyment of the service offered, without fear of unreasonable interruptions or interference.

Since its creation, the Board has undertaken major initiatives to discharge its statutory mandate; has presided over interconnection arbitrations and approved interconnection agreements; has conducted a major proceeding on reducing intrastate access rates; has consistently advocated on behalf of the telecommunications consumers of Puerto Rico and has conducted multiple proceedings related to the protection of a competitive environment in Puerto Rico.

The Board's authority to act for the benefit of the consumers of Puerto Rico has been confirmed by numerous courts.⁵ During its 14-year history, the Board has overseen and managed a transition from a telecommunications market dominated by a government-owned monopoly to a market characterized by competition and increasing sensitivity to the right of consumers to expect consistent high-quality service.

The Board has long advocated at the Commission in favor of the residents of Puerto Rico and in support of a high-cost fund.⁶ For example:

• In April 2000, the Board's then President, outside legal advisor and outside consultant met with members of the Federal-State Joint Board on

See, e.g., WorldNet Telecommunications, Inc. v. Puerto Rico Tel. Co., 497 F.3d 1 (1st Cir. 2007) (upholding Board's authority to impose measures to improve overall performance); Puerto Rico Tele. v. Telecommunications Reg. Bd., 189 F.3d 1, 7 (1st Cir. 1999) (confirming the Board's authority to act for the benefit of consumers in Puerto Rico).

The Board has also advocated at the Commission on other matters affecting Puerto Rico. For example, in WT Docket No. 06-113, it submitted comments on the proposed transfer of PRTC to America Movil, asking the Commission to ensure that America Movil's commitment to invest in Puerto Rico was real, quantifiable and verifiable. See July 14, 2006 Petition to Deny. The Commission thereafter approved the transfer, but required that America Movil invest \$1 billion over five years to improve service in Puerto Rico. Application for Authority to Transfer Control of Telecomunicaciones de Puerto Rico, Inc., 22 FCC Rcd 6195 (2007). The Board has also submitted comments in other dockets, urging the Commission to act for the protection of the residents of Puerto Rico. See June 4, 2008 letter in CC Docket No. 97-80 (urging the Commission to grant the requested waiver of Choice Cable TV for the benefit of the consumers in southwestern Puerto Rico); March 19, 2007 Comments in CS Docket No. 97-80 (urging the Commission to grant a § 76.1204(a)(1) waiver for the benefit of Puerto Rico consumers).

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Universal Service to discuss the impact of proposed Commission action on Puerto Rico.⁷

- In August 2000, the Board argued to the Commission that the Federal-State Joint Board on Universal Service should maintain support for Puerto Rico at its then-current levels and explained that rapid change or sudden elimination of federal support in Puerto Rico could have catastrophic effects.⁸
- In September 2000, the Board certified to the Commission that PRTC and Centennial Puerto Rico License Corporation ("Centennial") were both using all federal high-cost support funds only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. This allowed funds to continue to flow to Puerto Rico.
- In January 2001, the Board argued that "Puerto Rico continues to need universal services support" and urged the Commission to ameliorate its efforts to phrase down support for non-rural carriers.¹⁰
- In January 2001, the Board certified to the Commission that PRTC and Centennial were both using all federal high-cost support funds only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.¹¹
- In January 2003, then Board urged the Commission, during its Triennial Review, to "enact rules which take into account the uniqueness of the Puerto Rico market" and explained that any "failure to do so would have the effect of leaving Puerto Rico behind in enjoying the benefits of a blossoming evolution in telecommunications, technology, and the emergence of the broadband era." 12
- In April 2005, the then Board President strongly urged the Commission to "enact a support mechanism that takes into account the special

May 4, 2000 letter regarding ex parte presentation in CC Docket No. 96-45.

August 14, 2000 Comments in CC Docket No. 96-45.

September 26, 2000 Certification of the Telecommunications Regulatory Board of Puerto Rico in CC Docket No. 96-45.

January 29, 2001 Comments of the Telecommunications Regulatory Board of Puerto Rico in CC Docket no. 96-45.

October 1, 2001 Certification of the Telecommunications Regulatory Board of Puerto Rico in CC Docket No. 96-45.

January 29, 2003 letter of Phoebe Forsythe Isales in CC Docket No. 01-338; 96-98; 98-147.

characteristics of insular areas." The Board President showed that wireline penetration in Puerto Rico was significantly below that of the mainland; that Puerto Rico's island topography drastically increased costs; and that the Commission was ignoring Congress's mandate.¹⁴

- In May 2006, the Board submitted Reply Comments in support of PRTC's request to create a separate support mechanism for non-rural insular areas. The Board echoed the Commission's recognition of "the unique needs of Puerto Rico" including "the issues of low subscribership that have plagued the island since the cessation of high cost support for Puerto Rico." The Board emphasized that a separate funding mechanism was necessary to "fulfill Congress' wish that consumers in insular areas, such as Puerto Rico, have access to telecommunications and information services, including interexchange and advanced services, that are reasonably comparable to services and rates in urban areas."
- In October 2008, the Board argued to the Commission "that upcoming universal service reform may negatively impact the citizens of Puerto Rico if actions taken by the Commission reduce overall high-cost support assigned to Puerto Rico carriers and do not provide for an appropriate transition from the existing support programs (including the interim cap on competitive eligible telecommunications carrier support)."¹⁷
- In June 2010, the Board submitted comments supporting PRTC's motion for reconsideration of the Commission's order refusing to adopt a specific program for Puerto Rico. The Board argued that the Commission was ignoring Congress's mandate; the unique challenges posed by Puerto Rico; and the fact that its action would impermissibly expand the digital divide with the continental United States.¹⁸

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¹³ April 15, 2005 letter of Miguel Reyes Davila.

¹⁴ *Id*

May 26, 2006 Reply Comments of the Telecommunications Regulatory Board of Puerto Rico in CC Docket No. 96-45, WC Docket No. 05-227.

¹⁶ *Id*.

See October 9, 2008 letter "In the Matter of Federal-State Joint Board on Universal Service, High-Cost Universal Service Support, CC Docket No. 96-45."

Reply Comments of the Telecommunications Regulatory Board of Puerto Rico, WC Docket No. 05-337, CC Docket 96-45, WC Docket 03-109.

III. The Commission's Recent Decision

The Communications Act requires universal service, and Congress ordered, in the Telecommunications Act of 1996, that the Commission ensure that "all consumers, including those in low income, rural, insular, and high cost areas" receive telecommunications and information services that are "reasonably comparable" to those in urban areas.

In December 2005, the Commission sought comment on whether a separate universal service funding mechanism was necessary in Puerto Rico to meet Congress's mandate. ¹⁹ The Commission's Order requesting comments tentatively concluded that a non-rural insular proceeding, in combination with the Commission's existing low-income support programs, would help combat low telephone subscribership in Puerto Rico. ²⁰

Many parties thereafter provided comments on the Commission's tentative conclusion that Puerto Rico deserved a separate funding mechanism. After four more years of inaction, the Commission, in April 2010, concluded that "dramatic increases in telephone subscribership in Puerto Rico over the last several years make it unnecessary to adopt a new high-cost support mechanism." The Commission acknowledged that "[t]elephone subscribership in Puerto Rico is not yet at the same level as in the mainland United States," but suggested that this gap-could be addressed by existing Commission programs.

The Commission's conclusion was based primarily on its belief that "overall" telephone subscribership in Puerto Rico had risen significantly since its tentative conclusion in 2005, and to levels that no longer warranted a funding mechanism:

[a]Ithough telephone subscribership in the Commonwealth still lags somewhat behind that in the mainland United States, it has grown dramatically since the Commission issued the *NPRM* at the end of 2005. In 2005, the telephone subscribership rate in Puerto Rico was 73.8 percent (compared with a rate of 94.8 percent for the nation as a whole). By 2006 – the latest period

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Federal-State Joint Board on Universal Service, High-Cost Universal Service Support, Notice of Proposed Rulemaking, 20 FCC Rcd. 19731 (2005).

²⁰ *Id.* at ¶ 33.

High-Cost Universal Service Support, Federal-State Joint Board on Universal Service, Lifeline and Linkup, Order and Notice of Proposed Rulemaking, WC Docket 05-337, CC Docket 96-45, WC Docket 03-109 (rel. Apr. 16, 2010) at ¶ 1.

²² April 16, 2010 Order at ¶ 2.

²³ April 16, 2010 Order at ¶ 3.

for which we have statistics – the subscribership rate in Puerto Rico had risen to 91.1 percent (compared with 98.2 percent nationwide rate).²⁴

The Commission reached this conclusion by considering *both* wireline *and* wireless penetration together.²⁵ Essentially, the Commission reasoned, if a resident of Puerto Rico had wireless access, it was not necessary for him/her to have wireline access.²⁶

IV. Puerto Rico's Economic and Penetration Statistics

Puerto Rico is particularly deserving of a new high-cost support mechanism that provides real and significant support because of its extremely low telephone and broadband penetration rates; very high costs dictated by its geography; and exceptionally challenging economic situation. The Commission's refusal to provide such a mechanism cannot be squared with the Congressional mandate and the available data showing the exceptionally low telephone and broadband penetration rates in Puerto Rico.

"Many in Puerto Rico still lack access to basic telephone and Internet services that the rest of the U.S. is able to take for granted." Indeed, the Board's most recent data shows the overall Puerto Rico wireline penetration rate of 40%, which is less than half the United States' telephone penetration rate of 98.2%. A report by the Commission's Wireline Bureau that was released in February 2010 found

²⁴ April 16, 2010 Order at ¶ 20.

April 16, 2010 Order at ¶ 27 ("The Commission measures telephone subscribership based on access to telecommunications service, regardless of whether such service is provided by traditional wireline service or by newer technologies, including wireless").

To be clear, the Commission credited the Board, and others, for efforts to increase telephone subscribership. See April 16, 2010 Order at ¶ 33 ("Comments challenging the sufficiency of universal service support in Puerto Rico also fail to give weight to efforts by the FCC, the Puerto Rico Telecommunications Regulatory Board (TRB), PRTC, and competitive ETCs that have significantly increased the number of recipients of federal low-income support in Puerto Rico since 2003 and, commensurately, increased telephone subscribership").

March 25, 2010 filing by the Minority Media and Telecommunications Council with the Commission.

Even if one assumes that the overall telephone penetration rate for the United States includes 24.5% of households that were wireless only, the wireline penentration rate for the United States is still almost twice that of PuertoRico. See http://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201005.pdf.

that only 24% of households in Puerto Rico have access to high-speed Internet connections, as compared with 60% in the United States.²⁹

Additionally, as the Board showed in its submissions to the Commission, because Puerto Rico is an island, virtually all of the necessary supplies and materials must be transported in, adding further costs and taxes to the cost of equipment, storage, tools, parts and labor. This fact is compounded by the island's topography (i.e., rough and hilly terrain and heavy tropical vegetation) and limited basic infrastructure, all of which make a network buildout a time consuming and expensive exercise.

This is exacerbated by the economic situation in Puerto Rico. Residents of Puerto Rico have a significantly lower per capita income than any state in the United States. According to the last census, the average per capita income in Puerto Rico was less than \$8,200. This was less than half the per capita income of the lowest U.S. state (Mississippi: \$15,853).

Moreover, in July 2010, the last month for which data are available, the unemployment rate in Puerto Rico was 16.1%, 30 as compared with a national unemployment rate of 9.5%. 31 The lack of disposable income, together with the high cost of living dictated by the island's geography, combine to place significant pressure on carriers and regulators alike.

V. 🕾 Poor Wireline Infrastructure's Impact on Broadband

The Commission's April 16, 2010 Order acknowledged that the lack of wireline structure in Puerto Rico had the potential to retard broadband development, but indicated that this issue should be 'raised in the context of upcoming proceedings to consider the recommendations of the National Broadband Plan to reform the legacy high-cost support mechanisms to support broadband." Essentially, the Commission was not troubled by the fact that residents of Puerto Rico lack access to both wireline and wireless services (as that enjoyed by virtually all residents of the mainland) and that a lack of wireline development could further widen the digital gap between Puerto Rico and the mainland.

Industry Analysis and Competition Division, Wireline Competition Bureau, *High-Speed Services for Internet Access: Status as of December 31, 2008, at Table 21 (Feb. 2010).*

[&]quot;Economy at a Glance: United States," Bureau of Labor Statistics, available at http://www.bls.gov/eag/eag.pr.htm (last visited August 30, 2010).

[&]quot;Economy at a Glance: Puerto Rico," Bureau of Labor Statistics, available at http://www.bls.gov/eag/eag.us.htm (last visited August 30, 2010).

³² April 16, 2010 Order at ¶ 28.

Writing separately from the Commission's Order, Commissioner Copps explained that the Commission's refusal to adopt a mechanism addressing wireline infrastructure in Puerto Rico will harm the very broadband development that the Commission is relying upon:

[w]hile some areas of the country are seeing such [broadband] service now, or may see it in the near future, the record shows that there are areas in Puerto Rico that have no infrastructure. Not only is voice service not available, but there is no wireline foundation for broadband service either – putting the people of Puerto Rico that much further from getting the broadband service that we recognize as a necessity in the Digital Age.³³

Commission Clyburn similarly expressed her discomfort with the lack of broadband deployment in Puerto Rico:

I would also like to note my concern that our most recent broadband data indicates that as of December 31, 2008, only 24% of households in Puerto Rico have broadband connections over 200 Kbps in at least one direction. This is far below the 60% of total U.S. households. This suggests that *Puerto Rico's broadband infrastructure is lagging far behind the mainland* and that broadband service may not be affordable to Puerto Ricans.

For Puerto Rico, and the rest of the nation, broadband has the potential to make a significant difference for the people and its economy.³⁴

This statement is indisputably correct. The Commission's refusal to provide a separate mechanism thus not only harms Puerto Rico now, but will continue to cause damage in the future.

VI. The Commission Is Ignoring Its Own Data Showing the Dire Situation in Puerto Rico

In July 2010, the Commission released its Sixth Broadband Deployment Report – its latest annual attempt to "determine whether broadband is being deployed to all Americans in a reasonable and timely fashion." The report adopted actual

April 16, 2010 Order, Copps Concurring Statement (emphasis added).

³⁴ April 16, 2010 Order, Clyburn Concurring Statement (emphasis added).

[&]quot;Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to

download speeds of 4 Mbps and actual upload speeds of at least 1 Mbps as its benchmark³⁶ and held that, "approximately 14 to 24 million Americans remain without broadband access capable of meeting" these speeds and thus the requirements of the Telecommunications Act.³⁷

The Commission's Sixth Broadband Deployment Report held that, out of the approximately 24 million Americans who live in areas unserved by broadband, 1/6th (almost four million) live in Puerto Rico alone.³⁸ The same report concluded that the *entire Island* lacked access to broadband that met the "minimum speed" for adequate broadband access.³⁹

The Commission's Sixth Broadband Deployment Report emphasized that, under the Communications Act, the Commission must "take immediate action to accelerate deployment of advanced telecommunications [i.e., broadband] capability by removing barriers to infrastructure investment and by promoting competition in the telecommunications market." In a statement that accompanied the report, Chairman Julius Genachowski explained that "[b]roadband is critical 21st century infrastructure" and that those persons who currently do not receive adequate broadband access (which includes the entire Commonwealth) "will continue to be unserved, denied access to the transformative power of broadband" without "substantial reforms to the agency's universal service programs." 41

While the Commission's Sixth Broadband Deployment Report acknowledged the dire broadband situation in Puerto Rico, the same report failed to address the unique characteristics of Puerto Rico that have caused this situation. Instead, the Commission focused generally on potential causal factors in rural and tribal

Section 706 of the Telecommunications Act of 1996," Sixth Broadband Deployment Report, GN Docket No. 09-137, FCC No. 10-129 (July 2010), at ¶ 1.

³⁶ Sixth Broadband Deployment Report at ¶ 5.

Sixth Broadband Deployment Report at $\P 1$.

Sixth Broadband Deployment Report, Appendix B. As indicated above, in February 2010, the Commission's Wireline Bureau concluded that, while 60% of households in the mainland United States have access to high-speed Internet connections, only 24% of households in Puerto Rico enjoy the same access. This was under the old standard for broadband access, which the Commission has now abandoned.

Sixth Broadband Deployment Report at ¶ 5; Appendix B. Indeed, the Commission's interactive map, designed to show what areas of a particular jurisdiction have adequate broadband access, is completely vacant as it relates to Puerto Rico. http://www.broadband.gov/maps/availability.htm.

Sixth Broadband Deployment Report at ¶ 3 (quoting 47 U.S.C. § 1302(b)) (emphasis added):

Sixth Broadband Deployment Report, Statement of Julius Genachowski (emphasis added).

areas.⁴² While these areas are also deserving of Commission attention, the factors that have resulted in a lack of broadband access in rural and tribal areas are significantly different from those in Puerto Rico. The Commission's focus on tribal and rural areas will not benefit Puerto Rico. Instead, it ignores 4 million people who have no access to broadband, and no attention from the agency charged with ensuring access.

Lest there be any confusion about the Commission's focus, on August 6, 2010, it sought comments and data for its Seventh Broadband Deployment Report.⁴³ In addition to specifically requesting data and input on general areas, the Commission singled out two specific geographic areas on which it requested specific data: rural areas and tribal/native homeland lands.⁴⁴ Again, although Puerto Rico comprises 1/6th of those persons without broadband access, totaling four million people, the Commission's notice of inquiry did not focus on Puerto Rico in any way.

Conclusion

In the Statement of Motives establishing the Board, the Puerto Rico General Assembly charged it with assuring "Puerto Rico of the same telecommunication and information privileges that United States citizens enjoy." Throughout its history, the Board has acted to fulfill this obligation. However, the residents of Puerto Rico now need your assistance in accessing basic and advanced telecommunications services, which the Commission has noted are "a fundamental necessity in modern society." As the foregoing demonstrates, the Commission's refusal to specifically address the demonstrated needs in Puerto Rico not only harm its residents now, but will continue to harm its residents in the future, as the digital divide between Puerto Rico and the mainland widens.

In light of the aforementioned, we respectfully request your assistance in ensuring that the residents of Puerto Rico have access to reasonably comparable telecommunications and information services as those on the mainland.

Sixth Broadband Deployment Report at ¶¶ 24-25.

Seventh Broadband Deployment Notice of Inquiry, GN Docket No. 10-159 (Aug. 6, 2010).

Seventh Broadband Deployment Notice of Inquiry at ¶¶ 36-37.

Federal State Joint Board on Universal Service; Promoting Deployment and Subscribership in Unserved and Underserved Areas, Including Tribal and Insular Areas, Twelfth Report and Order, Memorandum Opinion and Order, and Further Notice of Proposed Rulemaking, 15 FCC Rcd. 12208, ¶3 (2000).

Hon, Mignon Clyburn August 27, 2010

If you need any additional information, please do not hesitate to contact us at the following address: 500 Ave. Roberto H. Todd, San Juan, Puerto Rico 00907-3981. My telephone number is: 787-756-0804 and my email address is: Sandra.Torres@irtpr.gobierno.pr.

Very truly yours,

President
Puerto Rico Telecommunications
Regulatory Board